



3 1223 07425 1787

5/S



San Francisco Public Library

Government Information Center  
San Francisco Public Library  
Market Street, 5th Floor  
San Francisco, CA 94102

REFERENCE BOOK

taken from the Library

# AIRPORT COMMISSION:

Concession Review of  
Host International, Inc.  
Food and Beverage Facilities

DOCUMENTS DEPT.

JUN 13 2002

SAN FRANCISCO  
PUBLIC LIBRARY



Audits Division

Audit Number 00039  
June 10, 2002

D

CITY AND COUNTY OF  
OFFICE

7.9579  
578ch



**AIRPORT  
COMMISSION:**

Concession Review of  
Host International, Inc.  
Food and Beverage Facilities

DOCUMENTS DEPT.

JUN 13 2002

SAN FRANCISCO  
PUBLIC LIBRARY



*Audits Division*

Audit Number 00039  
June 10, 2002

Wm. H. W. W. W. W.

Wm. H. W. W. W.

Wm. H. W. W. W.



Edward Harrington  
Controller

June 10, 2002

Audit Number 00039

San Francisco Airport Commission  
San Francisco International Airport  
San Francisco, CA 94128

**President and Members:**

The Controller's Audits Division presents the results of its review of Host International, Inc. (Host) rent payments to the Airport Commission for operating food and beverage facilities at the San Francisco International Airport.

**Reporting Period:** September 1, 1998, through August 31, 2000

**Rent Paid:** \$13,573,400

**Results:** Host reported revenues of \$134,158,338, but overreported revenues of \$27,779 because of various errors. As a result, Host overpaid rent of \$1,070 to the Airport Department. Host also did not submit its annual audit reports timely.

The response of Host is attached to this report. The Controller's Audits Division will be working with the department to follow up on the status of the recommendations made in the report.

Respectfully submitted,

Noriaki Hirasuna  
Director





# INTRODUCTION

---

## BACKGROUND

The Airport Commission (commission) of the City and County of San Francisco (City) has a lease with Host International, Inc. (Host) to operate food and beverage facilities at the San Francisco International Airport. The lease requires Host to submit to the Airport Department (Airport) annual reports of gross revenues certified by a certified public accounting firm or public accountant.

In addition, Host and the Controller's Audits Division agreed that Host's accounting firm would perform agreed-upon procedures to compare the gross revenues Host reported to the Airport with the gross revenues in its audit report.

## SCOPE AND METHODOLOGY

The purpose of this review was to assure that Host correctly reported its revenues and correctly paid its rent to the Airport. To do this, we determined if the Airport could rely on the results that the accounting firm reported for revenues that Host earned from September 1, 1998, through August 31, 2000. To assess whether we should conduct a separate audit of Host, we verified with the accounting firm the audit steps it performed in conducting their review. Because the accounting firm relied on some testwork performed by Host's corporate internal audit unit, we verified with Host's corporate internal audit unit the audit steps it performed in conducting its review of Host's operations at the San Francisco International Airport. We also determined if the accounting firm identified any exceptions in its reports and assessed if these exceptions warranted additional testwork. Finally, we determined if Host paid the correct rent based on the gross revenues reported by the accounting firm.

1. 12.12.2017

2. 12.12.2017

3. 12.12.2017

4. 12.12.2017

5. 12.12.2017

6. 12.12.2017

7. 12.12.2017

8. 12.12.2017

9. 12.12.2017

10. 12.12.2017

11. 12.12.2017

12. 12.12.2017

13. 12.12.2017

14. 12.12.2017

15. 12.12.2017

16. 12.12.2017

17. 12.12.2017

18. 12.12.2017

19. 12.12.2017

20. 12.12.2017

21. 12.12.2017

22. 12.12.2017

23. 12.12.2017

24. 12.12.2017

25. 12.12.2017

26. 12.12.2017

27. 12.12.2017

28. 12.12.2017

29. 12.12.2017

30. 12.12.2017

31. 12.12.2017

32. 12.12.2017

33. 12.12.2017

34. 12.12.2017

35. 12.12.2017



# RESULTS

---

## HOST OVERPAID ITS RENT BY A MINOR AMOUNT

In our opinion, based on inquiries we made of Host's accounting firm, the Airport can rely on the results that the accounting firm reported. The accounting firm reported revenues of \$134,130,559, or \$27,779 less than revenues of \$134,158,338 that Host reported to the Airport. According to the accounting firm's agreed-upon procedures report, Host overreported its revenues to the Airport because of various errors, including incorrectly recorded sales adjustments, errors in calculating revenues, and errors in reporting of sublessees' sales. We determined that Host correctly paid its rent to the Airport, except for overpaying \$1,070 in rent as a result of the overreported revenues. The table below shows the rent that Host paid to the Airport for the audit period.

TABLE

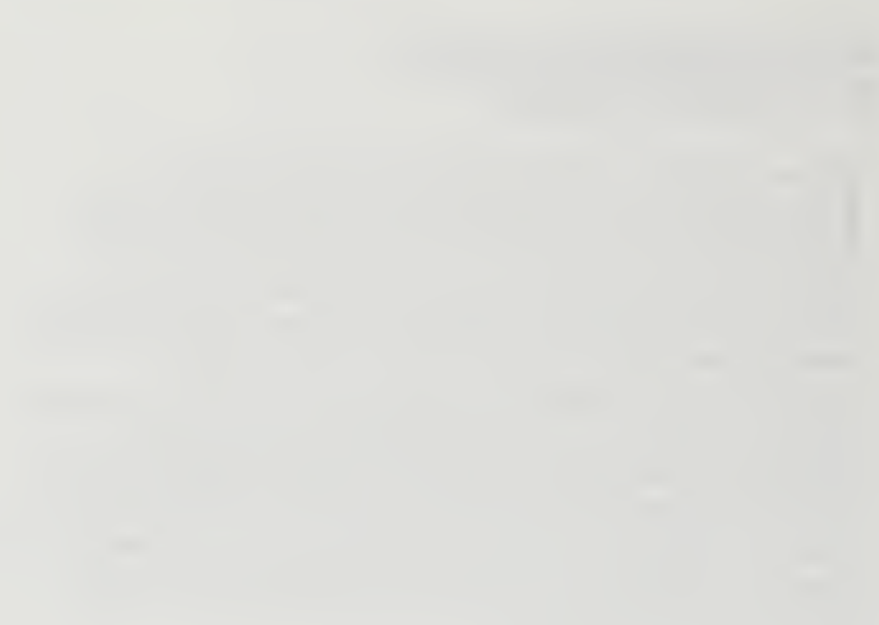
---

**Rent Paid**  
**September 1, 1998, Through August 31, 2000**

	September 1, 1998 – August 31, 1999	September 1, 1999 – August 31, 2000	Total
Food	\$4,984,534	\$5,528,019	\$10,512,553
Beverage	1,408,745	1,581,268	2,990,013
Vending	25,652	45,182	70,834
Total	\$6,418,931	\$7,154,469	\$13,573,400

## HOST DID NOT SUBMIT ITS AUDIT REPORTS TIMELY

Host was late in submitting its annual audit reports to the Airport. Host's lease with the Airport requires Host to submit an audit report by a certified public accountant or public accountant no later than 90 days after the end of each lease year, if required by the Airport Director. By letter dated November 5, 1997, the Airport Director requested Host to provide annual audit reports on its leases with the Airport. Because Host's lease year ends on August 31, Host should have submitted its annual audit report to the Airport by November 29 of each year. For the lease year ending August 31, 1999, Host submitted its audit report on January 14,



Below the diagram, there is a large block of text. The text is extremely faint and mostly illegible. It appears to be a series of paragraphs or a list of items, possibly describing the details of the site plan or providing information related to the project. The text is arranged in a structured manner, with some lines appearing to be bolded or indented. The overall layout suggests a formal document, such as a report or a set of plans.

2000, or more than one month late. For the lease year ending August 31, 2000, Host submitted its restated audit report on October 15, 2001, or more than ten months late.

## **RECOMMENDATIONS**

To ensure that the Airport receives the correct rent it is due, the Airport should take the following actions:

- Credit \$1,070 to Host for overpaid rent.
- Require Host to implement procedures so that it correctly reports its gross revenues to the Airport.
- Require Host to submit its annual audit reports when due.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager  
Leon Valle, Jr.



# HOST INTERNATIONAL, INC. RESPONSE TO THE AUDIT:

---



6600 Rockledge Drive  
Bethesda, Maryland 20817

May 30, 2002

Noriaki Hirasuna  
Director  
Office of the Controller, Audits Division  
City and County of San Francisco  
City Hall  
1 Dr. Carlton B. Goodlett Place  
Room 388  
San Francisco CA 94102-4694

Dear Mr Hirasuna;

Please find HMSHost's response for the gross receipt audits for the September 1, 1998, through August 31, 2000. According to your report, you detailed two findings from our audit; 1) Over reporting of revenue and 2) timeliness of HMSHost's audit submission.

First, let me apologize for both. We at HMSHost are committed to delivering you the most accurate and timely information that we can. With this in mind we have recently just completed two actions that we believe will address these findings.

- **New Rental System** – We have just completed the implementation of a state of the art rental system. This implementation was completed on May 1, 2002. This system, Horizon by Fraser Williams America, will allow us to become more accurate and timely with our reporting. Our previous system had been in place for over 15 years and required us to complete tremendous amounts of manual work.
- **Organizational Change** – HMSHost is more committed than ever in delivering the annual audited statements to you and to accomplish this we have put together a dedicated team of four professionals that focus on this solely this type of work

Again, we apologize for these two issues and look forward to working with you and your office in the future.

Sincerely,

Joseph E. Macharsky  
Senior Director  
HMSHost National Processing Center

CC: M Dewey, R Hughes, G Spagliardi, J. Ryzner, M. Hasenthal, L. Cappetta





cc: Mayor  
Board of Supervisors  
Civil Grand Jury  
Public Library





